U. S. SENATE

Republican Policy Committee

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"Santa" Clinton's Ho! Ho! Ho! Budget

"The President's latest budget proposal, his third this year, is a disappointment. It retains the basic weaknesses of the one he put forward in June that it pretends to supplant. Mr. Clinton continues to back away from the serious part of driving down the deficit. He tries to balance the budget wearing a Santa suit, and the simple fact is that you can't."
[*Washington Post*, lead editorial, 12/8/95]

The third Clinton budget **is actually worse** than its two predecessors. While it shares a common trait of not getting anywhere near balance — a fact we are sure the Congressional Budget Office (CBO) will confirm once again this week — it is distinctively worse in some important ways.

- It breaks a commitment the President made just a few short weeks ago to use real numbers — CBO numbers.
- It resorts to gimmickery to try and solve the deficit reduction shortfall it professes not to have.
- Perhaps worst of all, it has delayed negotiations to get a real solution and kept the American people waiting for weeks only to result in what is essentially the same budget.

Maybe in places where reindeer fly, sleighs make 'round the world trips, and jolly, fat elves fit down thin chimneys, Clinton's third budget balances. But not in reality. While Americans have asked for the lower taxes, lower mortgage rates, lower interest rates, and more economic growth that only a real balanced budget could bring, Clinton's grinch of a budget was busy leaving a lump of coal in their stocking.

Clinton's Third Budget: Short on Specifics and Long on Deficits

While CBO does not have a final verdict out on just how much the latest White House budget misses the mark in each year, the House and Senate Budget Committees have determined that it is $400 billion short of balance over the seven-year period. In short, the budget maintains the status quo in the important areas with no additional savings coming in the entitlement programs that are driving the deficit problem.

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- The biggest savings in comparison to his June budget come from **increased spectrum auction receipts, a reduction in the increase being sought in discretionary spending, and a change in the way the Consumer Price Index (CPI) is calculated** — a technical adjustment that the Bureau of Labor Statistics is already planning.

Medicare Crisis Continues

Despite the Administration's claims that its budget will insure Medicare Part A (hospital insurance) solvency through 2011, this is very unlikely. Recall that according to CBO, the $89 billion savings that Senate Democrats earlier proposed would only have maintained solvency through 2004 — a mere two years beyond the Trustees' original insolvency projection of 2002. The third Clinton budget proposes net savings of $98 billion — just $9 billion more than the earlier Senate Democrat figure. In contrast, Congress' Balanced Budget Act the President so ceremoniously vetoed last week would have insured solvency into the next generation.

Tax Relief Delays

The Clinton Administration thinks that America's families don't need immediate tax relief: their $500-per-child tax credit still does not fully begin until 1999 — four years after the vetoed balanced budget bill called for (it was to be pro rata for 1995).

But Still Gimmicks Aplenty

Despite the Administration's signed commitment to do otherwise, the President's budget continues to use its own overly optimistic numbers (even though the White House had weeks to work with CBO to produce the agreed-upon objective numbers). However, they did add a new little gimmick: "The Administration expects that this agreement. . . will include appropriate enforcement mechanisms to ensure that we reach balance" [The President's Plan to Balance the Budget, p. 15].

The December 8 *Washington Post's* lead editorial had this to say about the Administration's latest budget gimmick: "He proposes to paper over the problem by issuing what would amount to a promissory note. If the effort fell short, certain automatic mechanisms would take hold. . . But you've heard that sort of thing before; these are notes that somehow never quite come due, no matter how elaborately they are written into law. They're more gimmicks; we've already had too many gimmicks."

This secret plan, that is not even included in the budget itself, is the fiscal equivalent of Rudolph's red nose.

And so, here we have a negotiating party that did not keep their commitment from the last agreement, but that did wait until the last minute to produce virtually the same document they already had, and that raided the federal retirees' pension fund in order to keep borrowing. And, yet they still come to Congress seeking to have the current temporary government funding bill (Continuing Resolution or "CR") extended to January 26, 1996, and the debt ceiling raised to $5.5 trillion.

What Clinton's Actions Cost Americans

In contrast to the gimmick- and deficit-riddled budget that President Clinton produced on his third try this year, the real balanced budget that he vetoed a day earlier would have saved Americans:

- **$2,388** a year in mortgage payments on a house with a $75,000, 30-year mortgage.
- **$1,026** over the life of a 4-year loan on a car worth $15,000.
- **$1,891** over the life of a 10-year student loan of $11,000.
- **$74,381** over the lives of all these loans.

[Source: DRI-McGraw Hill. The study found that interest rates could drop 2.7 percentage points — to the level of the 1950s from where they were in November 1994 when Republicans took charge of Congress.]

Additionally, families with children would have received a tax credit that would have:

- Helped **28 million families** raising **51 million children** and eliminated the federal income tax bill for over **3.5 million families** raising almost **9 million children**.
- Saved families with two children $1,000 — enough for the average family to buy three months of groceries, or make one and a half mortgage payments, or pay electric bills for 11 months.

[Source: Heritage Foundation]

But instead they can expect:

- **interest rates to increase and taxes to remain high.**
- These increases will cost the average American family **$979 more per year** on their home mortgages, student loans, and car loans, and **$1,500 in future taxes** to pay for the extra $100 billion in annual interest payments on new federal debt.

[Source: Joint Economic Committee]

The contrast between the majority in Congress and Clinton could not be more clear.

> *"It will be a tragedy if, in this process, an opportunity to get control of the government's finances is lost."*
> [*Washington Post,* 12/8/95]

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